

income of the distributee in the manner as provided under section 72 to the extent not excluded from gross income under any other provision of this chapter.

"(B) IN-KIND DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary.

"(C) CHANGE IN BENEFICIARIES.—

"(i) ROLLOVERS.—Subparagraph (A) shall not apply to that portion of any distribution which within 60 days of such distribution is transferred to the credit of another designated beneficiary under a qualified State tuition program who is a member of the family of the designated beneficiary with respect to which the distribution was made.

"(ii) CHANGE IN DESIGNATED BENEFICIARIES.—

Any change in the designated beneficiary of an interest in a qualified State tuition program shall not be treated as a distribution for purposes of subparagraph (A) if the new beneficiary is a member of the family of the old beneficiary.

"(D) OPERATING RULES.—For purposes of applying section 72—

"(i) to the extent provided by the Secretary, all qualified State tuition programs of which an individual is a designated beneficiary shall be treated as one program.

"(ii) all distributions during a taxable year shall be treated as one distribution and

"(iii) the value of the contract, income on the contract, and investment in the contract shall be computed as of the close of the calendar year in which the taxable year begins.

"(4) ESTATE TAX INCLUSION.—The value of any interest in any qualified State tuition program which is attributable to contributions made by an individual to such program on behalf of any designated beneficiary shall be includible in the gross estate of the contributor for purposes of chapter 11.

"(5) SPECIAL RULE FOR APPLYING SECTION 2503(e).—

For purposes of section 2503(e), the waiver (or payment to an educational institution) of qualified higher education expenses of a designated beneficiary under a qualified State tuition program shall be treated as a qualified transfer.

**"(d) REPORTING REQUIREMENTS.—**

**"(1) IN GENERAL.—**If there is a distribution to any individual with respect to an interest in a qualified State tuition program during any calendar year, each officer or employee having control of the qualified State tuition program or their designee shall make such reports as the Secretary may require regarding such distribution to the Secretary and to the designated beneficiary or the individual to whom the distribution was made. Any such report shall include such information as the Secretary may prescribe.

**"(2) TIMING OF REPORTS.—**Any report required by this subsection

**section—**  
**"(A)** shall be filed at such time and in such matter as the Secretary prescribes, and